



**FOR INFORMATION
CALL:**

**1-800-972-7660 toll free
334-7660 in the Boise area**



**HEARING IMPAIRED (TDD):
1-800-377-3529**



**WEB SITE:
www.tax.idaho.gov**



VISIT OUR OFFICES:

**BOISE
800 Park Blvd., Plaza IV**

**COEUR D'ALENE
1910 Northwest Blvd.
Suite 100**

**IDAHO FALLS
150 Shoup Ave., Suite 16**

**LEWISTON
1118 "F" St.**

**POCATELLO
611 Wilson Ave., Suite 5**

**TWIN FALLS
1038 Blue Lakes Blvd. N.
Suite C**

A Guide To

Idaho Income Tax Withholding



This guide was prepared by the Idaho State Tax Commission. It does not provide a comprehensive explanation of Idaho tax laws or rules. The law can be found in Title 63, Chapter 30 of the Idaho Code. Rules are located in Idaho Administrative Rule 35, Title 01, Chapter 01.

TABLE OF CONTENTS

RECENT CHANGES	3
Will I get a new withholding booklet each year?	3
IDAHO EMPLOYERS AND IDAHO EMPLOYEES	4
Who is an employer?	4
Who is an employee?	4
What is the difference between an employee and an independent contractor?	4
What if I employ a member of my family?	4
What if I employ someone to assist me with household work or to provide care for a family member?	5
What if I employ someone to help me on my farm or ranch?	5
INCOME SUBJECT TO WITHHOLDING	5
When are wages subject to Idaho income tax?	5
Are statutory employees subject to Idaho income tax withholding?	5
What income is subject to Idaho income tax withholding?	6
Are there exceptions to the withholding requirement?	7
Am I required to withhold Idaho income tax from an IRA, pension, or other similar payment?	8
Is Idaho income tax withholding required on active duty military wages?	8
Is income earned by a Native American subject to Idaho income tax withholding?	8
Should I withhold Idaho income tax?	9
WITHHOLDING ACCOUNT	10
Do I need an Idaho withholding account?	10
How do I apply for an Idaho withholding account number?	10
What if I do not register for a withholding account?	10
What if I make changes to my business?	10
What if I need to change the address on my account?	10
Are withholding accounts transferable?	11
What if I no longer need a withholding account?	11
HOW MUCH TO WITHHOLD	11
How do I know how much Idaho income tax to withhold?	11
WHEN TO FILE AND PAY THE WITHHOLDING	12
What are the payment requirements?	12
How often must I pay the income tax I have withheld or file a “zero” payment?	12
How do I determine my correct withholding tax period for electronic funds transfer, credit card, or Form 910 payments?	13
What kind of withholding payment records should I keep?	14
What are my filing requirements?	14
When are my returns due?	14
How do I get reporting forms?	14
Can I have the forms sent to my accountant?	14
MAKING PAYMENTS WITH ELECTRONIC FUNDS TRANSFER (EFT)	14
Can I pay the withheld taxes by EFT?	14
MAKING PAYMENTS WITH CREDIT CARD	15
Can I pay with a credit card?	15

MAKING PAYMENTS WITH CHECK OR MONEY ORDER	15
Can I pay with a check or money order?	15
ZERO PAYMENTS	15
If I don't withhold any income tax for a reporting period, do I need to report it?	15
LATE PAYMENTS	15
What happens if I pay late?	15
FILING RETURNS ONLINE	16
Can I file my returns online?	16
LATE FILING	16
What happens if I file late?	16
INFORMATION RETURNS	16
Am I required to send W-4 forms to the Tax Commission?	16
Are there other returns that I must file?	16
RECORD KEEPING	17
What records must I keep, and for how long?	17
OTHER QUESTIONS	17
What if I employ someone who doesn't live in Idaho?	17
What if I send my Idaho employee to another state to work?	17
If I'm self-employed, how do I know how much money to set aside to pay my income tax?	17
What if an employee's payroll check goes unclaimed or uncashed?	18
OTHER IMPORTANT AGENCIES FOR EMPLOYERS	18
Where can I get more information about being an Idaho employer?	18
FORM 910	19
What is Form 910 used for?	19
Why can't I enter amounts with cents on Form 910?	19
FORM 956	20
What is Form 956 used for?	21
Who must file Form 956?	21
What records and forms do I need to complete the reconciliation process?	21
How do I reconcile my income tax withholding?	21
Why can't I enter amounts with cents on Form 956?	21
Is it necessary to sign Form 956?	21
FORM 957-W	22
What is Form 957-W used for?	23
Who must file Form 957-W?	23
Is it necessary to sign Form 957-W?	23
Who is required to file using magnetic media?	23
SUBSTITUTE FORMS AND INSTRUCTIONS	23
What if I want to develop my own substitute withholding forms?	23
COMPUTING THE AMOUNT OF IDAHO INCOME TAX WITHHOLDING	24
Percentage Computation Method	24
Wage Bracket Method	25
Annualized Wage Method	25
Withholding on Bonuses, Commissions, Etc.	25
TABLES FOR PERCENTAGE COMPUTATION METHOD OF WITHHOLDING	26
TABLES FOR WAGE BRACKET METHOD OF WITHHOLDING	31

Recent Changes

This revision of “A Guide to Idaho Income Tax Withholding” reflects the following changes:

- **New Withholding Legislation:** The 2004 Idaho Legislature passed a law changing the income tax withholding filing requirements. The changes include:
 - **Form 958, Idaho Income Tax Withholding Return, eliminated.** Monthly, split-monthly, and quarterly filers no longer need to file Form 958. Instead, they make income tax payments based on their filing cycle. They reconcile the payments on the Form 956, Idaho Withholding Reconciliation return, at the end of the year.
 - **Form 956, Idaho Withholding Reconciliation, revised.** Use the revised Form 956 to compare the total amount of Idaho taxes you withheld during a year to the amount of tax paid to the Idaho State Tax Commission for the same year. The new law changed the Form 956 due date to January 31.
- **Telefile eliminated.** We have eliminated Telefile and replaced it with free online filing (see below).
- **More electronic payment options.** Not only can you pay the income taxes you withheld by electronic funds transfer, you can also make payments under \$100,000 by credit card through the Electronic Payments page of the Tax Commission’s Web site at www.tax.idaho.gov .
- **Free electronic filing for Form 956.** You can electronically file Form 956 for free through the Electronic Filing page of the Tax Commission’s Web site at www.tax.idaho.gov .
- **Updated withholding tables.** We have updated the withholding tables for 2004. Although the tables are effective for 2004, you don’t need to adjust the withholding for the months prior to receiving these tables. However, because the 2001 tables overwithhold, please update them as soon as possible.

Will I get a new withholding booklet each year?

No. The Idaho personal income tax schedules are adjusted annually to compensate for inflation. The change will be reflected in the income tax tables used to file individual income tax returns. The Tax Commission will revise this guide when the accumulated annual inflation adjustments cause a substantial change. We will place a notice on the Web site to inform you of the revision. When the withholding guide is revised, we will send it to each registered employer.

Idaho Employers and Idaho Employees

Who is an employer?

An employer is any person, business, or organization for whom an individual performs any service as an employee. This includes religious, educational, charitable, and social organizations or societies, even if the organizations are exempt from paying income taxes.

Who is an employee?

Generally, an employee is any individual who performs services for you, when you have the right to control what will be done and how it will be done. This is true even when you choose not to exercise your control over the employee and allow the employee freedom of action. It is also true regardless of how payments are measured or paid or whether the employee works full-time or part-time.

If an employer/employee relationship exists, it does not matter what the relationship is called. Generally, if someone performs services for you, he is an employee unless he is in business for himself and offers the same service to others.

A corporate officer who works for the corporation is an employee.

What is the difference between an employee and an independent contractor?

There are many standards to determine whether an individual performing services for you is an employee or a contractor. Some of the common characteristics are:

Employee

- Works set hours
- An ongoing relationship
- Paid by hour, week, or month
- Reimbursed for business expenses
- Facilities and tools furnished by employer
- Works for one firm
- Must render services personally
- Regular reports are required
- Does not solicit for work
- Can be discharged
- Can quit
- No risk of loss or opportunity for profit

Independent Contractor

- Sets own hours
- Relationship lasts a limited time
- Paid by the job performed
- Responsible for incidental expenses
- Has own facilities and tools
- May work for several firms at once
- Can subcontract services to another
- Not required to account for actions
- Solicits for work through advertising
- Cannot be terminated except for breach of contract
- Must complete contract or be responsible for failure to do so
- Has risk of loss and opportunity for profits

For additional information on how to determine whether an individual providing services is an independent contractor or an employee, see IRS publications Circular E and 15-A.

What if I employ a member of my family?

If a family member, even your spouse or child, provides services for which he is paid, you must withhold Idaho income tax just as you would for a nonfamily member.

Idaho Employers and Idaho Employees continued

What if I employ someone to assist me with household work or to provide care for a family member?

If you hire an employee to work in a personal residence, the employee's wages are subject to Idaho income tax. You must have an Idaho withholding account and report the wages, but you are not required to withhold Idaho income tax from the employee's wages. As a domestic employer, you must issue W-2 forms to your employees and file Form 956 by the last day of January following the year of employment. You must also file Form 957-W and include copies of your employees' W-2 forms by the last day of February. If you hire someone who has a business providing household help and he provides service to more than one client, he is not necessarily your employee.

What if I employ someone to help me on my farm or ranch?

If you hire an employee to help you in your agricultural business, you must withhold Idaho income tax from the employee's check if you are required to withhold for federal purposes and the employee earns \$1,000 or more during the calendar year. Use the withholding tables in this book to determine how much to withhold.

If you are required to file Employment Reports with the Idaho Department of Commerce and Labor, you are a quarterly filer with the Tax Commission. You must:

- pay the income tax withheld by the last day of the month following the end of the calendar quarter (using electronic funds transfer, credit card, or Form 910);
- file Form 956 by the last day of January; and
- file Form 957-W and include copies of employees' W-2 forms by the last day of February.

If you are not required to file Employment Reports with Commerce and Labor, you are an annual filer with the Tax Commission. You must:

- file Form 956 and pay the income tax withheld by the last day of January; and
- file Form 957-W and include copies of employees' W-2 forms by the last day of February.

Income Subject to Withholding

When are wages subject to Idaho income tax?

When an employee earns income while working in Idaho, the income is subject to Idaho income tax. This is true even if the employee is not a resident of Idaho. It is also true if the employee is a family member. It also applies to people working in Idaho for only one day, including athletes and performers.

If a person who is not a citizen of the United States earns income while in Idaho, the income is subject to Idaho income tax withholding unless exempt from federal withholding.

Are statutory employees subject to Idaho income tax withholding?

If an employee qualifies as a statutory employee under federal law, Idaho income tax withholding is not required. For more information, see IRS publications Circular E and 15-A.

What income is subject to Idaho income tax withholding?

All wages, tips, and other compensation earned by employees or paid for services performed in Idaho are subject to Idaho income tax withholding. The pay may be in cash or in another form. It includes salaries, vacation allowances, bonuses, commissions, and fringe benefits. It does not matter how you measure the compensation or make the payment. Generally, if the Idaho compensation is subject to federal income tax, it is subject to Idaho income tax as well.

Compensation paid to a former employee for services performed while still employed in Idaho is subject to Idaho income tax withholding. For example: If an employee is granted stock options and those options vest while he is performing services in Idaho, the compensation or gain when he exercises his options are subject to Idaho income tax withholding, even if the employee is no longer working in Idaho.

- **Employee business expense reimbursements.** Reimbursements or allowances paid to an employee under an accountable plan are not subject to Idaho income tax withholding. Reimbursements or allowances paid under a nonaccountable plan are subject to Idaho income tax withholding. For information defining an accountable or nonaccountable plan see the IRS publication Circular E.
- **Wages not paid in money.** If, in the course of your trade or business, you pay an employee in something other than cash or a readily negotiable instrument, you are said to pay them “in kind.” Payments in kind may be in the form of goods, lodging, food, clothing, services, or personal use of a company vehicle. Generally, the fair market value of such payments at the time they are provided is subject to Idaho income tax withholding if the payment is for services provided in Idaho. If the food or lodging is for the convenience of the employer and qualifies under federal law to be excluded from wages, it is not subject to Idaho income tax withholding.
- **Supplemental Wages.** Bonuses, commissions, overtime pay, payments for accumulated sick leave, severance pay, awards, prizes, back pay, retroactive pay, and other such payments are subject to Idaho income tax if earned while working in Idaho. Withholding on supplemental wages may be computed by either combining the supplemental payment with regular wages and treating them as a single payment or by multiplying the supplemental payment by 7.8 percent.
- **Employee Benefits.** Benefits that are taxable under the Internal Revenue Code are subject to Idaho income tax withholding, if they were earned for services provided in Idaho, regardless of when the benefit is received. Tax-deferred benefits such as 401(k) plans and cafeteria plans that are tax deferred by the Internal Revenue Code are also tax deferred for Idaho and not subject to income tax withholding.
- **Stock Options.** The granting of stock options is considered to be compensation for services whether treated for federal income tax purposes as compensation or capital gain income. This income is subject to Idaho income tax withholding if the employee performed services in Idaho between the time the option was granted and the time the option vested. For more detailed information see Idaho Income Tax Administrative Rule 271.
- **Tips.** Tips an employee receives for work done in Idaho are subject to Idaho income tax withholding.

Are there exceptions to the withholding requirement?

- An Idaho employer is always required to have an account and report payroll. However, withholding is not required if:
 - the employee is not a resident of Idaho and earns less than \$1,000 in Idaho during the calendar year.
 - an agricultural laborer earns less than \$1,000 during the calendar year.
 - an employee is exempt from federal withholding.
 - the employee is a Native American who earns the income on the reservation and who lives on the reservation.
 - an employee gives you a Form W-4 stating he is exempt from withholding as he had no income tax liability in the previous year and expects to have no income tax liability for the current year. The exemption is only good for the current year. The employee must give you a new W-4 each year. You must have a withholding account and issue the employee a W-2 form. See *Am I required to send W-4 forms to the Tax Commission?* on page 16.
- **Common Carriers.** If you are an interstate common carrier and your employee has regularly assigned duties in more than one state, you only have to withhold income tax for the employee's state of residence. See Title 49, Section 14503, United States Code to determine if the employee qualifies.
- **Air Carriers.** If your employee has regularly assigned duties on aircraft in more than one state, you must withhold income tax for his state of residence and the state in which he earns more than 50 percent of his wages. See Title 49, Section 40116(f), United States Code to determine if the employee qualifies.
- **Railroad Carriers.** If you are an interstate rail carrier and your employee has regularly assigned duties in more than one state, you only have to withhold income tax for the employee's state of residence. See Title 49, Section 11502, United States Code to determine if the employee qualifies.
- **Water Carriers.** If your employee is a master or seaman who works on a vessel engaged in foreign, intercoastal, interstate, or noncontiguous trade, do not withhold any state income tax. See Title 46, Section 11108, United States Code to determine if the employee qualifies.

Am I required to withhold Idaho income tax from an IRA, pension, or other similar payment?

The income from an IRA, pension, or other similar payment is subject to Idaho income tax, but the payer is not required to withhold Idaho income tax from retirement payments. The recipient may pay the tax as a voluntary estimated payment on his individual return on or before April 15. If the payer of the retirement funds wants to withhold Idaho income tax from the payments as a convenience to its payees, it must apply for an Idaho withholding account and pay the amounts withheld the same way a regular employer does. The payer must submit the 1099-Rs showing Idaho withholding by the last day of February (see *Who must file Form 957-W?* on page 23).

Is Idaho income tax withholding required on active duty military wages?

Federal law prevents a state from taxing the active duty pay of military personnel, unless the military person is domiciled in that state. Therefore, the military wages of a person stationed in Idaho are not subject to Idaho income tax unless Idaho is the person's domicile. Wages paid by the military to a person not on active duty are subject to Idaho income tax withholding if earned in Idaho. Idaho allows a person domiciled in the state to deduct his active duty pay earned outside Idaho if his full-time active duty is for 120 consecutive days or more. Therefore, it is not necessary to withhold Idaho income tax for military personnel who are domiciled in Idaho, but are stationed outside Idaho.

Is income earned by a Native American subject to Idaho income tax withholding?

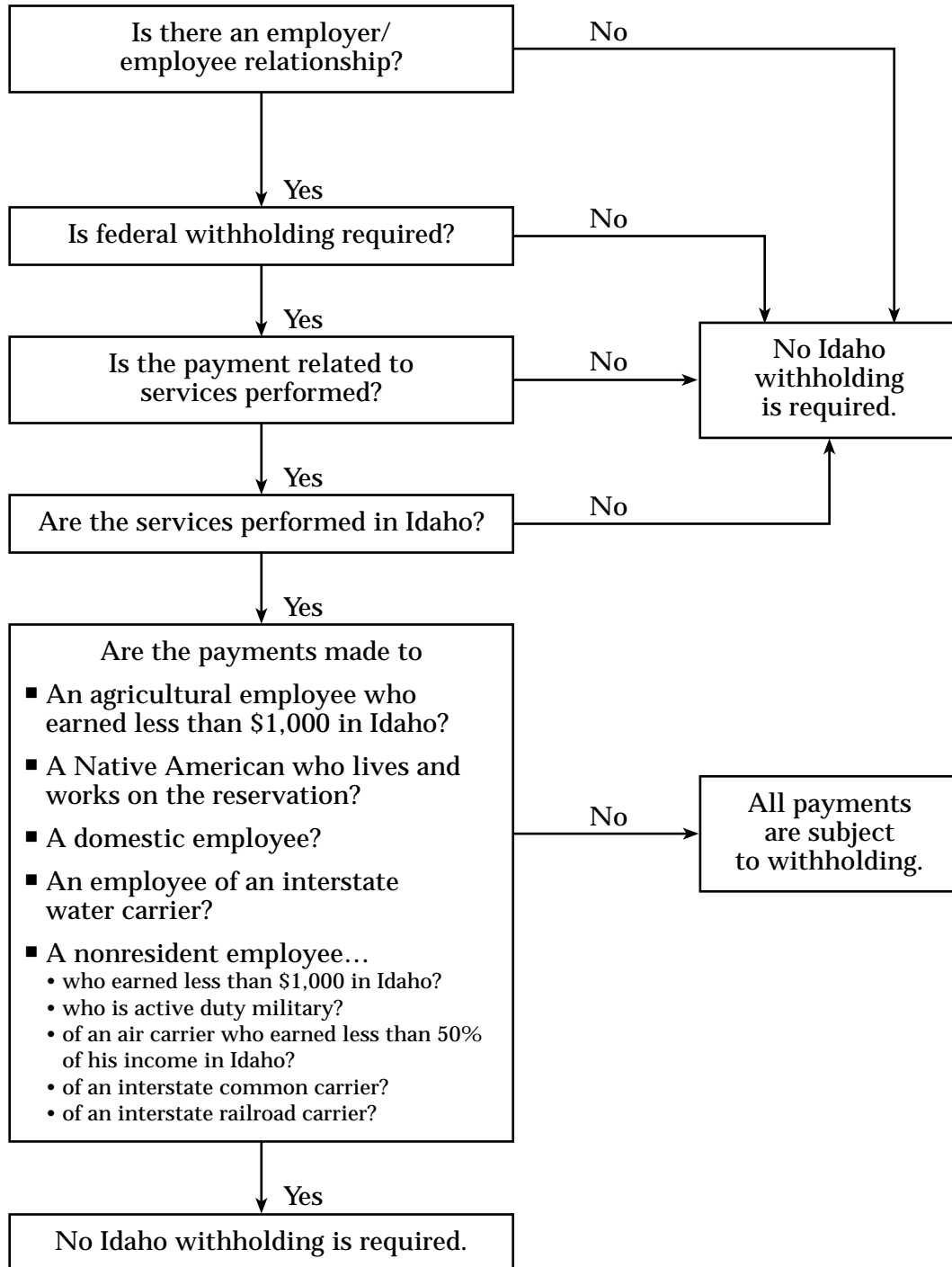
Yes, unless the Native American:

- is an enrolled member of a federally recognized tribe;
- lives on a reservation; and
- earns the wages for work performed on a reservation.

Income Subject to Withholding continued

Should I withhold Idaho income tax?

The following flow chart can help you decide if Idaho income tax needs to be withheld.



Withholding Account

Do I need an Idaho withholding account?

Generally, if you have an employee earning income while in Idaho, you must have an Idaho withholding account. This applies to all employees including agricultural, household help, and family members. If you choose to voluntarily withhold Idaho income tax, you must have an Idaho withholding account.

How do I apply for an Idaho withholding account number?

You must have a federal Employer Identification Number (EIN) before you apply for an Idaho withholding account. You can get an EIN by using the Internal Revenue Service Web site at www.irs.gov. You can also apply for an EIN by completing a Form SS-4 and calling (800) 829-4933, faxing the form to (215) 516-3990, or mailing it to: IRS Service Center, Attention: EIN Operations, Philadelphia, PA 19255. You can get a Form SS-4 on the IRS Web site or at your local IRS office.

To apply for an Idaho withholding account, register online at business.idaho.gov or complete the Idaho Business Registration form and submit it to the Tax Commission. You can use the same online registration and Idaho Business Registration form to apply for your unemployment insurance account from the Idaho Department of Commerce and Labor and to provide needed information to the Idaho Industrial Commission. The Idaho Business Registration form is available from the following agencies:

- Tax Commission: (800) 972-7660 toll free or 334-7660 in the Boise area
- Commerce and Labor: (800) 448-2977 toll free or 334-3576 in the Boise area
- Industrial Commission: (800) 950-2110 toll free or 334-6000 in the Boise area

Within two weeks after submitting your application, you will receive a withholding account number and you will be notified how often you must file and pay the income tax you withheld. (See page 12.) You will then begin receiving the necessary forms.

What if I do not register for a withholding account?

If you have employees or withhold Idaho income tax and do not register for a withholding account, you may be charged a penalty of \$100 per month until you register.

What if I make changes to my business?

You must apply for a new withholding account if you change your business entity (for example, incorporating your sole proprietorship), acquire a business, or for any reason get a new federal EIN.

What if I need to change the address on my account?

To change your mailing address:

- Mark the box for “Mailing address change” on Form 910 or Form 956, draw a line through the address on the form, and write in your new address, or
- Send us written notice of the new address and include your name, account number, old address, and new address.

Withholding Account continued

- Mail to: Attn: Account Registration & Maintenance
Idaho State Tax Commission
PO Box 36, Boise, ID 83722-3220
- Fax to: (208) 334-5364
- E-mail to: processing@tax.idaho.gov

Are withholding accounts transferable?

No. If you are a new owner of an existing business, do not use a return that has been addressed to the former business entity. You must apply for a new withholding account.

What if I no longer need a withholding account?

If you want to cancel your account:

- Mark the box for “Cancel Account” on the Form 910 or Form 956, or
- Send us written notice that you want to cancel your account and include your name, account number, and the date you want the account to be cancelled.
 - Mail to: Attn: Account Registration & Maintenance
Idaho State Tax Commission
PO Box 36, Boise, ID 83722-3220
 - Fax to: (208) 334-5364
 - E-mail to: processing@tax.idaho.gov

How Much To Withhold

How do I know how much Idaho income tax to withhold?

An employer must have a federal Form W-4, Employees Withholding Allowance Certificate, on file for each employee. Since Idaho does not have a separate Form W-4, Idaho income tax withholding is based on the federal Form W-4. However, an employee can request that you withhold additional Idaho income tax by claiming fewer dependents for Idaho purposes. The employee can add this information at the bottom of the federal Form W-4 he provides to you. He cannot request less Idaho income tax withheld by listing more dependents. Idaho has three approved methods for computing withholding:

- Percentage Computation Method. See page 24.
- Wage Bracket Method. See page 25.
- Annualized Wage Method. See page 25.

The income tax withholding amounts in the withholding tables have been rounded to the nearest whole dollar. If you use the percentage or annualized wage method of withholding, round the tax to the nearest whole dollar.

Generally, the percentage computation is the most helpful method to use in programming the withholding tables for your computer. For assistance with payroll software, contact the company that sold you the software.

When to File and Pay the Withholding

What are the payment requirements?

If your account filing cycle is monthly, split-monthly, or quarterly, you must pay the withheld Idaho income taxes by electronic funds transfer, credit card, or with a Form 910, Idaho Withholding Payment Voucher. If your account is annual, you must pay with the Form 956. If you did not withhold income taxes, you must file a “zero” payment. Remember, taxes are reported and paid based on when the wages are paid, not earned.

How often must I pay the income tax I have withheld or file a “zero” payment?

Monthly Filers. Most employers pay monthly unless they qualify for another filing cycle. They pay withholding on or before the 20th day of the month following the payment period. (See the Payments Due Date Table.) Payments made throughout the year must be reconciled on the Form 956 at the end of the year.

Split-Monthly Filers. Employers whose withholding equals or exceeds \$72,000 in a 12-month period or exceeds \$6,000 per month must pay the income tax withheld based on a reporting period that begins on the 16th of the month and ends on the 15th of the next month. Payment is due on or before the 20th of that same month. (See the Payments Due Date Table.) Payments made throughout the year must be reconciled on the Form 956 at the end of the year.

Quarterly Filers. Employers who withhold less than \$600 each quarter and farmers who are required to file with the Idaho Department of Commerce and Labor pay the withholding on the last day of the month following the end of the quarter. (See the Payments Due Date Table.) Payments made throughout the year must be reconciled on the Form 956 at the end of the year.

Annual Filers. Farmers who are not required to file with the Idaho Department of Commerce and Labor must use Form 956 to report their employees’ taxable wages and pay the taxes withheld annually. The return and payment are due by the last day of January. (See the Payments Due Date Table.)

PAYMENTS DUE DATE TABLE						
MONTHLY	PAYMENT PERIOD	DUE DATE	PAYMENT PERIOD	DUE DATE	PAYMENT PERIOD	DUE DATE
	1/1 - 1/31	2/20	2/1 - 2/28	3/20	3/1 - 3/31	4/20
	4/1 - 4/30	5/20	5/1 - 5/31	6/20	6/1 - 6/30	7/20
	7/1 - 7/31	8/20	8/1 - 8/31	9/20	9/1 - 9/30	10/20
	10/1 -10/31	11/20	11/1 - 11/30	12/20	12/1 - 12/31	1/20
SPLIT-MONTHLY	PAYMENT PERIOD	DUE DATE	PAYMENT PERIOD	DUE DATE	PAYMENT PERIOD	DUE DATE
	1/16 - 2/15	2/20	2/16 - 3/15	3/20	3/16 - 4/15	4/20
	4/16 - 5/15	5/20	5/16 - 6/15	6/20	6/16 - 7/15	7/20
	7/16 - 8/15	8/20	8/16 - 9/15	9/20	9/16 - 10/15	10/20
	10/16 -11/15	11/20	11/16 - 12/15	12/20	12/16 - 1/15	1/20
QUARTERLY	PAYMENT PERIOD	DUE DATE				
	1/1 - 3/31	4/30				
	4/1 - 6/30	7/31				
	7/1 - 9/30	10/31				
	10/1 -12/31	1/31				
ANNUAL	PAYMENT PERIOD	DUE DATE				
	1/1 - 12/31	1/31				

Note: If the due date falls on a weekend or holiday, the payment is due on the next business day.

Figure 1. Payments Due Date Table

When to File and Pay the Withholding continued

How do I determine my correct withholding tax period for electronic funds transfer (EFT), credit card, or Form 910 payments?

Use the following charts to determine your withholding tax period for payments based on your filing cycle:

MONTHLY

Withholding Reporting Period	EFT Tax Period (MM)	Credit Card Period End Date	Tax Period on Form 910
January 1 - January 31	01	1/31	Jan
February 1 - February 28	02	2/28	Feb
March 1 - March 31	03	3/31	Mar
April 1 - April 30	04	4/30	Apr
May 1 - May 31	05	5/31	May
June 1 - June 30	06	6/30	Jun
July 1 - July 31	07	7/31	Jul
August 1 - August 31	08	8/31	Aug
September 1 - September 30	09	9/30	Sep
October 1 - October 31	10	10/31	Oct
November 1 - November 30	11	11/30	Nov
December 1 - December 31	12	12/31	Dec

SPLIT-MONTHLY

Withholding Reporting Period	EFT Tax Period (MM)	Credit Card Period End Date	Tax Period on Form 910
January 16 - February 15	01	2/15	Jan
February 16 - March 15	02	3/15	Feb
March 16 - April 15	03	4/15	Mar
April 16 - May 15	04	5/15	Apr
May 16 - June 15	05	6/15	May
June 16 - July 15	06	7/15	Jun
July 16 - August 15	07	8/15	Jul
August 16 - September 15	08	9/15	Aug
September 16 - October 15	09	10/15	Sep
October 16 - November 15	10	11/15	Oct
November 16 - December 15	11	12/15	Nov
December 16 - January 15	12	1/15	Dec

QUARTERLY

Withholding Reporting Period	EFT Tax Period (MM)	Credit Card Period End Date	Tax Period on Form 910
January 1 - March 31	03	3/31	Mar
April 1 - June 30	06	6/30	Jun
July 1 - September 30	09	9/30	Sep
October 1 - December 31	12	12/31	Dec

When to File and Pay the Withholding continued

What kind of withholding payment records should I keep?

You must track your taxable wages, Idaho income tax withheld, amount paid, date paid, and penalty and interest included with payments. Use the Record of Idaho Withholding Payments to help you track your withholding information. You can get it on our Web site or by calling any Tax Commission office.

What are my filing requirements?

You must use Form 956 to report your employees' taxable wages and reconcile your payments annually with the actual amount of tax withheld. The total tax withheld reported on Form 956 must match the total withheld reported on your employees' W-2 forms. You must use Form 957-W to submit the state copy of the federal Forms W-2 plus any Form 1099-Rs with Idaho income tax withholding.

When are my returns due?

The Form 956 is due the last day of January for all filing cycles. The Form 957-W is due the last day of February for all filing cycles.

How do I get reporting forms?

Once you are registered with the Tax Commission, we will send you preprinted forms. If you pay and file electronically, you don't need to send us a paper form. If you don't have a preprinted form to file, do not use photocopies from a previous period or from a different employer. If you don't have a preprinted form when you need to file, you can:

- Pay and file online for free through our Electronic Filing Web page at www.tax.idaho.gov.
- Call any Tax Commission office to request a form.

Note: Because withholding forms are personalized, they are not available on the Tax Commission's Web site.

Can I have the forms sent to my accountant?

When you register for a withholding account, you can include an alternate address and contact person. If you have already completed your application, you may send a letter asking the Tax Commission to mail your reporting forms to an alternate address. Be sure to include your account number. If you want us to speak with your accountant about your account, we must have a current power of attorney.

Making Payments with Electronic Funds Transfer (EFT)

Can I pay the withheld taxes by EFT?

Yes. You can use EFT to make all your payments to the state of Idaho. Whenever the amount due is \$100,000 or greater, the law requires you to use EFT.

Idaho allows two methods of making an EFT payment. ACH Debit allows you to select the day you want the transaction to be submitted to the bank. You can also make withholding payments through ACH Credit. The ACH Credit program allows you to initiate the transfer through your bank.

Making Payments with Electronic Funds Transfer (EFT) cont.

You must register before you can use ACH Debit or Credit. To get an authorization form, visit our Web site at www.tax.idaho.gov/forms_misc.htm or call 1-800-972-7660.

Please do not file a Form 910 when paying by EFT.

Making Payments with Credit Card

Can I pay with a credit card?

Yes. You can use Discover Card, MasterCard, or VISA to make payments under \$100,000 to the state of Idaho. You can pay through our Web site at www.tax.idaho.gov (click on the Electronic Payments button), or by calling 334-7660 in the Boise area or 1-800-972-7660 toll free.

Please do not file a Form 910 when paying by credit card.

Making Payments with Check or Money Order

Can I pay with a check or money order?

Yes. Make your check or money order payable to the Idaho State Tax Commission. Payment must be accompanied by a Form 910 (Form 956 for annual filers) postmarked on or before the due date. Mail your form and payment to: Idaho State Tax Commission, PO Box 76, Boise, ID 83707-0076.

Zero Payments

If I don't withhold any income tax for a reporting period, do I need to report it?

Yes. You can file "zero" payments in one of the following ways:

- Through the withholding Web filing system. File your "zero" payment through our Web site at www.tax.idaho.gov (click on the Electronic Filing button).
- By electronic funds transfer (EFT). "Zero" payments are allowed through the EFT system.
- By using a Form 910 payment voucher and entering a "0" in the "Payment Amount" box. Mail it to: Idaho State Tax Commission, PO Box 76, Boise, ID 83707-0076.

Late Payments

What happens if I pay late?

If any payment for a period is paid late, or if the tax withheld is more than the amount paid, you must calculate penalty and interest. Penalty and interest are charged on the amount of tax due from the due date until paid.

Filing Returns Online

Can I file my returns online?

You can prepare and file your Form 956 and make payments online using the Tax Commission's Electronic Filing Web page at www.tax.idaho.gov.

You cannot file your Form 957-W online. You must attach your W-2s and any 1099-Rs with Idaho withholding to the 957-W.

Late Filing

What happens if I file late?

Penalty and interest are charged on the amount of tax due from the due date until paid.

A penalty of \$2 per W-2 per month may be applied if your W-2 forms are not submitted by the last day of February. The minimum penalty is \$10; the maximum penalty is \$2,000.

Information Returns

Am I required to send W-4 forms to the Tax Commission?

No. But you should send a copy of the W-4 form of any employee you suspect is claiming an incorrect number of allowances.

Mail the W-4 to: ITA/Withholding
Idaho State Tax Commission
PO Box 36
Boise, ID 83722-0410

Are there other returns that I must file?

The Internal Revenue Service requires taxpayers to use Form 1099 to report certain activities with third parties. You must file the following Forms 1099 and other information returns with the Tax Commission by the last day of February.

- Form 1099-MISC, Miscellaneous Income, if it was issued for transactions related to property located or used in Idaho or for services performed in Idaho.
- Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc., if Idaho income tax was not withheld.
- Form 1099-S, Proceeds From Real Estate Transactions, if it was issued for transactions related to property located in Idaho.
- Form 1099-A, Acquisition or Abandonment of Secured Property, if the property was located in Idaho.
- Form 1099-B, Proceeds from Broker and Barter Exchange Transactions, if the property was located in Idaho or if the service was performed in Idaho.
- Form 1099-C, Cancellation of Debt, if the secured property was located in Idaho.
- Form 1098, Mortgage Interest Statement, if the property was located in Idaho.
- Form W-2G, Certain Gambling Winnings, if the gambling took place in Idaho.

Information Returns continued

Mail the information returns to: Idaho State Tax Commission
PO Box 36
Boise, ID 83722-0410

Please attach the information returns to a copy of the federal Form 1096 or Idaho Form 96.

Record Keeping

What records must I keep, and for how long?

You must keep your payroll records for at least four years. They should include:

- Name, address, and Social Security number of each employee
- Dates of employment
- Dates and amount of all wage payments and taxes withheld
- Hours and location of work
- A Form W-4 for each employee
- Cancelled payroll checks
- Copies of all Forms W-2 and Forms 1099
- Federal Form I-9, Employment Eligibility Verification

Other Questions

What if I employ someone who doesn't live in Idaho?

If a person is working in Idaho, you must report the wages to Idaho. Because the wages are earned in Idaho, they are subject to Idaho income tax. You do not have to withhold Idaho income tax unless the person will earn \$1,000 or more in Idaho during the year. All wages earned in Idaho, even if tax was not withheld, must be reported on the W-2 form as Idaho wages.

What if I send my Idaho employee to another state to work?

You are required to withhold income tax for the state in which the employee is working. If the state where he is working does not have an income tax, the employee may want to have you withhold Idaho income tax. As a resident of Idaho, his income will be taxable in Idaho.

If I'm self-employed, how do I know how much money to set aside to pay my income tax?

If you are self-employed or receive a pension payment, the tables starting on page 27 will help you determine how much to set aside to pay your income tax. Determine the taxable income you receive each month, then use the monthly table to determine how much tax you will owe. Idaho does not require estimated tax payments from individuals; however, you can file a voluntary estimated tax payment using Form 51.

Other Questions continued

What if an employee's payroll check goes unclaimed or uncashed?

The Unclaimed Property Act requires you to try to locate the owner of any money you hold. If you can't locate the owner within a year, you must file an unclaimed property holder report and turn the money over to the Unclaimed Property Section of the Tax Commission for safe-keeping. Please call (208) 334-7623 for more information or visit our Web site's Unclaimed Property section at www.tax.idaho.gov.

Other Important Agencies for Employers

Where can I get more information about being an Idaho employer?

■ Internal Revenue Service

Federal Tax Withholding, FUTA, FICA, etc.

www.irs.gov

Toll free 1-800-Tax-1040

IRS Publication

Circular E, Employer's Tax Guide

Boise Office

550 W. Fort St.

Boise, ID 83724

■ Idaho Department of Commerce and Labor

Unemployment Insurance, Job Service, Employer Services

www.labor.state.id.us

Boise Office

317 W. Main St.

Boise, ID 83735

(208) 332-3576

(800) 448-2977

■ Idaho Industrial Commission

State Workers Compensation Law, Industrial Accident Insurance

www2.state.id.us/iic

Boise Office

317 W. Main St.

Boise, ID 83702

(208) 334-6000

■ Bureau of Citizenship & Immigration Security (BCIS) (Under Homeland Security Department)

Employment Eligibility Verification

www.uscis.gov

Boise Office

1185 S. Vinnell Way

Boise, ID 83709

(800) 375-5283

(208) 685-6600

■ Idaho Secretary of State

Business DBAs, Articles of Incorporation, UCC, etc.

www.idsos.state.id.us

Boise Office

PO Box 83720

700 W. Jefferson

Basement, West Wing

Boise, ID 83720

(208) 334-2304

■ Small Business Administration

General information for businesses and employers

business.idaho.gov

Form 910

910 IDAHO WITHHOLDING PAYMENT VOUCHER			<input type="checkbox"/> Mailing address change	<input type="checkbox"/> Cancel Account	RO910M 01/08/2004		
ACCOUNT NO. 002566412	FROM 01/01/2004	TO 01/31/2004					
TAX DUE ON OR BEFORE 2/20/2004			Mail to: State Tax Commission, PO Box 76, Boise, Idaho 83707-0076				
JOHN Q TAXPAYER PO BOX 36 BOISE ID 83722-0036			In the box below, enter the amount of Idaho income tax withheld from your employees' paychecks for the period shown on this voucher. You must file this form even if no tax is withheld for this period.				
			Payment Amount	.	<table border="1"><tr><td></td><td>00</td></tr></table>		00
	00						
I do hereby swear or affirm that this information is true and correct to the best of my knowledge.							
<table border="1"><tr><td>Authorized Signature</td><td>Date</td></tr></table>			Authorized Signature	Date			
Authorized Signature	Date						
290500056 002566412 JOHN 09 0104 M 95 7							

Figure 2. Example of Form 910

What is Form 910 used for?

Form 910, Idaho Withholding Payment Voucher, is a payment voucher for employers who make check or money order payments on a monthly, split-monthly, or quarterly basis, or for any employer who wants to make a voluntary, early payment by check or money order. You can also use Form 910 to report you withheld no taxes for a payment period. If you make payments or report "zero" withholding by electronic funds transfer or credit card, you don't need to send in a Form 910. (See Payments Due Date Table on page 12.)

Why can't I enter amounts with cents on Form 910?

Idaho administrative rules require you to use whole numbers for all withholding returns. Round your payment amounts and report the rounded dollar amount on Form 910. Reduce amounts ending with less than 50 cents to the lower whole dollar. Increase amounts ending with 50 cents or more to the next whole dollar.

Form 956

2004 IDAHO WITHHOLDING RECONCILIATION WORKSHEET for 002563420

Section I. SUMMARY BY PERIOD

Keep this summary for your records.

Month	Due Date	Date Paid	TAX WITHHELD	AMOUNT PAID*	DIFFERENCE Tax Withheld - Amount Paid	PENALTY		INTEREST	
						Paid	Due	Paid	Due
January	2/20								
February	3/22								
March	4/20								
April	5/20								
May	6/21								
June	7/20								
July	8/20								
August	9/20								
September	10/20								
October	11/22								
November	12/20								
December	1/20/2005								
			Total Tax Withheld Section II, Line 1 of worksheet	Total Amount Paid Section III, Line 1 of worksheet	Total Difference		Total Penalty Due Form 956 Line 17		Total Interest Due Form 956 Line 18

* A payment dated in January will usually be for the prior calendar year. Include payments for the correct calendar year only.

Section II. TAX WITHHELD

1. Total Tax Withheld from above or from your record of Idaho withholding payments.

2. Total Idaho Withholding from "State Income Tax" box on the Forms W-2 and/or 1099-R. Enter result on Form 956, line 14.

NOTE: If the total tax withheld (line 1) is the same as the total Idaho withholding from W-2 and/or 1099-R forms (line 2) enter the total on Form 956, line 14 and proceed to Section III. If the amounts on lines 1 and 2 are different, review your records to identify the difference and make corrections. If you issued your employees incorrect W-2s, you must issue corrected W-2s (federal Form W-2C).

Section III. PAYMENTS

1. Total withholding paid to the Tax Commission from Amount Paid column above or your record of Idaho withholding payments.

2. Add any withholding payments not included in the Amount Paid column above or your record of Idaho withholding payments. +

3. Subtract the total paid penalty and interest included in the payment amounts listed in the Amount Paid column. -

4. Subtract any refunds received from tax periods within this calendar year. -

5. Add any credits applied from a prior tax period. +

6. Total the amounts from lines 1, 2, 3, 4, and 5. Enter result on Form 956, Line 15.

Section IV. UNDERPAID/OVERPAID (Overpayments of more than \$1 will be refunded)

1. Subtract Payments (Section III, line 6) from Tax Withheld (Section II, line 2). Enter result on Form 956, line 16.

Detach Form 956 and send to the Tax Commission.

956 IDAHO WITHHOLDING RECONCILIATION

MONTHLY FILER

ACCOUNT NO.
002563420

TAX YEAR
2004

TAX DUE ON OR BEFORE
1/31/2005

☐ Mailing address change

☐ Cancel account

JOHN Q TAXPAYER
PO BOX 36
BOISE ID 83722-0036

MAIL TO: IDAHO STATE TAX COMMISSION PO BOX 76 BOISE ID 83707-0076

I hereby swear or affirm that this information is true and correct to the best of my knowledge.

Authorized Signature

Date

1. Total taxable wages.

Amount Withheld

2. January.....	00
3. February.....	00
4. March.....	00
5. April.....	00
6. May.....	00
7. June.....	00

Amount Withheld

8. July.....	00
9. August.....	00
10. September.....	00
11. October.....	00
12. November.....	00
13. December.....	00
14. Total tax withheld. (Add lines 2 through 13.).....	00
15. Payments made. (Section III, Line 6 from worksheet.)	00
16. Underpaid/overpaid. (Section IV, Line 1 from worksheet.)	00
17. Penalty. (Section I, Penalty Due from worksheet.)	00
18. Interest. (Section I, Interest Due from worksheet.)	00
19. Total tax due. (Add lines 16 through 18.)	00

290500056 002563420 JOHN 09 1204 M 56 7

Figure 3: Example of Form 956

What is Form 956 used for?

Use Form 956, Idaho Withholding Reconciliation, to report the total taxable wages and reconcile the total amount of Idaho taxes you withheld from employees during the calendar year to the amount you paid to the Tax Commission for the same calendar year. Complete Form 956 after you have reconciled your income tax withholding (see *How do I reconcile my income tax withholding?* below).

Who must file Form 956?

If you had an active Idaho withholding account for any part of the year or withheld Idaho income taxes during the year, you must file Form 956. This is true even if you had no income tax withheld from employee wages or if you cancelled your account during the year.

What records and forms do I need to complete the reconciliation process?

The following records and forms will help you reconcile your Idaho income tax withholding:

- Payroll records
- Idaho withholding payment records or the Record of Idaho Withholding Payments
- Completed Forms W-2 and any Forms 1099-R with Idaho withholding
- Idaho Withholding Reconciliation Worksheet (mailed to you in December)
- Form 956, Idaho Withholding Reconciliation

How do I reconcile my income tax withholding?

At the end of the year, you will receive Form 956 and a reconciliation worksheet. The worksheet is designed to walk you through the reconciliation process to make sure the following balance:

- The amount of Idaho income tax withheld from employee wages
- The amount of Idaho income tax paid to the Tax Commission throughout the year
- The amount reported on wage and tax statements

Why can't I enter amounts with cents on Form 956?

Idaho administrative rules require you to use whole numbers for all withholding returns. Reduce amounts ending with less than 50 cents to the lower whole dollar. Increase amounts ending with 50 cents or more to the next whole dollar.

Is it necessary to sign Form 956?

Yes. You must sign Form 956.

Form 957-W

957-W IDAHO TRANSMITTAL OF WAGE AND TAX STATEMENTS

ACCOUNT NO.
002563420

TAX YEAR
2004

W-2s DUE ON OR BEFORE
2/28/2005

R957W
4/30/2004

JOHN Q TAXPAYER
PO BOX 36
BOISE ID 83722-0036

290500056 002563420 JOHN 09 1204 M 57 7

Attach W-2s and 1099-Rs behind this form in SSN or alphabetical sequence.

Return Form 957-W with your attached W-2s and 1099-Rs showing Idaho withholding and send to:

Idaho State Tax Commission
PO Box 76
Boise, ID 83707-0076

Do not detach the bottom portion.

957-W IDAHO TRANSMITTAL OF WAGE AND TAX STATEMENTS

ACCOUNT NO.
002563420

TAX YEAR
2004

W-2s DUE ON OR BEFORE
2/28/2005

R957W
4/30/2004

JOHN Q TAXPAYER
PO BOX 36
BOISE ID 83722-0036

1. Total number of W-2s for the year.

2. Total number of 1099-Rs with Idaho withholding for the year.

3. W-2s sent via magnetic media. Yes • No •

4. Penalty. (Add after due date.) Multiply number of W-2s by \$2.00 per month (or part of a month) they are late.

I hereby swear or affirm that this information is true and correct to the best of my knowledge.

Authorized Signature

Date

290500056 002563420 JOHN 09 1204 M 57 7

Figure 4: Example of Form 957-W

Form 957-W continued

What is Form 957-W used for?

Use Form 957-W, Idaho Transmittal of Wage and Tax Statements, to submit the state copy of the federal Forms W-2 and any Forms 1099-R with Idaho income tax withholding to the Tax Commission.

Report the number of Forms W-2 and 1099-R with Idaho withholding attached to the Form 957-W.

Who must file Form 957-W?

If you had an active Idaho withholding account for any part of the year or withheld Idaho income taxes during the year, you must file Form 957-W with your Forms W-2, Forms 1099-Rs, and magnetic media. You must file a return even if you had no withholding or issued no W-2s or 1099-Rs for the year.

Is it necessary to sign Form 957-W?

Yes. You must sign Form 957-W.

Who is required to file using magnetic media?

Idaho requires magnetic filing of Forms W-2 for employers who meet the Internal Revenue Service (IRS) requirement to file magnetically. If employers meet the IRS requirements but have fewer than 50 employees working in Idaho, the state will accept either paper or magnetic filing. If you meet these requirements but do not file by magnetic media, a penalty may be charged.

You can get Idaho specifications for filing Forms W-2 by calling (208) 334-7787, visiting the Tax Pros page on the Tax Commission's Web site, or contacting the Magnetic Media Coordinator at the address below.

You must mail the magnetic media to the address below along with a signed, completed Form 957-W, and Form 96-T, Idaho Magnetic Media Transmittal:

Magnetic Media Coordinator
Idaho State Tax Commission
PO Box 36
Boise, ID 83722-0410

You can find Form 96-T in the Idaho Magnetic Media Specifications booklet, on the Tax Commission's Web site, or by calling (208) 334-7787. If we do not receive a completed Form 96-T, the magnetic media may be returned to you and a penalty charged for late filing of the Forms W-2.

Substitute Forms and Instructions

What if I want to develop my own substitute withholding forms?

Go to the Publications page on our Web site and click on Substitute Forms Specifications. The specifications contain all the information you need to create substitute forms and get them approved.

Computing the Amount of Idaho Income Tax Withholding

Percentage Computation Method

Multiply the allowance value for the appropriate payroll period (See Allowance Value Table below) by the number of allowances claimed on the Form W-4 and subtract this amount from the employee's wages. Use the result to compute the amount to withhold using the appropriate tables on pages 27-29.

The percentage computation method may be the most useful method to use when programming the withholding table for your computer.

ALLOWANCE VALUE TABLE	
Payroll Period	One Withholding Allowance
Weekly	\$ 60.00
Biweekly.	\$ 119.00
Semimonthly	\$ 129.00
Monthly	\$ 258.00
Annual	\$ 3,100.00
Daily/Misc.	\$ 12.00 (each day)

Example:

An unmarried employee is paid \$586 biweekly and claims two withholding allowances on the W-4. Using the percentage method, compute the withholding tax as follows:

1. Total wage payment		\$586.00
2. One allowance (from the Allowance Value Table above)	\$ 119.00	
3. Allowances claimed on W-4	x <u>2</u>	
4. Multiply line 2 by line 3		\$238.00
5. Amount subject to withholding (subtract total allowances, line 4, from wages, line 1)		\$348.00
6. Tax to be withheld (tables from pages 27-29) (\$9.00 on \$284.00 + \$4.54 on remaining \$64.00)		\$ 14.00

Remember to round.

Computing the Amount of Idaho Income Tax Withholding continued

Wage Bracket Method

Find the proper table, on pages 32 through 51, for your payroll period and the employee's marital status as shown on his Form W-4. Based on the number of withholding allowances claimed on the W-4 and the amount of wages, find the amount to withhold.

If an employee claims more than 10 allowances, you can still use the tables by:

- multiplying the number of withholding allowances over 10 by the amount from the Allowance Value Table on page 24,
- subtracting the result from the gross wages to get the adjusted gross wages,
- using the adjusted gross wages and column for 10 allowances to determine the withholding amount.

If the wages exceed the amount shown in the last bracket of the table, use the percentage computation method of withholding described on page 24.

Annualized Wage Method

Multiply the wages for the pay period by the number of pay periods in the calendar year. Subtract the withholding allowances listed on page 24 from the gross wages to determine the amount subject to withholding. Use this figure and the annual tables to compute the amount of withholding required. Divide that amount by the number of pay periods in the calendar year. The result will be the amount of withholding for the current pay period.

Example:

A married person is paid \$600 per week and claims four withholding allowances on his Form W-4. Compute the amount of withholding using the following steps:

1. Total annual wages - \$600 x 52 weeks		\$31,200.00
2. One annual allowance (from Allowance Value Table)	\$ 3,100	
3. Allowance claimed on W-4	x 4	<u>12,400.00</u>
4. Amount subject to withholding (line 1 - line 3)		\$18,800.00
5. Tax from annual table (page 29)		\$ 528.00
(\$463 on \$17,888 + \$64.75 on remaining \$912)		
<i>Remember to round.</i>		
6. Amount to be withheld each week		\$ 10.00
(\$528.00 divided by 52) <i>Remember to round.</i>		

Withholding on Bonuses, Commissions, Etc.

Supplemental wages are compensation paid to an employee in addition to the employee's regular wages. These include bonuses, commissions, overtime pay, accumulated sick leave, severance pay, expense allowances paid under a nonaccountable plan, payments for non-deductible moving expenses, etc.

The withholding may be computed by either combining the supplemental payment with the regular wages and treating them as a single payment or by withholding 7.8 percent of the payment for Idaho taxes.